

**REPORT OF THE AUDIT OF THE  
CALLOWAY COUNTY  
CLERK**

**For the Year Ended  
December 31, 2001**



**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CALLOWAY COUNTY CLERK**

**For The Year Ended  
December 31, 2001**

The Auditor of Public Accounts has completed the Calloway County Clerk's audit for the year ended December 31, 2001. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

#### **Financial Condition:**

Excess fees increased by \$28,134 from the prior calendar year, resulting in excess fees of \$188,351 as of December 31, 2001. Revenues increased by \$436,118 from the prior year and disbursements increased by \$407,984.

#### **Report Comment:**

- The County Clerk Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$61,228 To Protect Deposits



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**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky

Honorable Paul E. Patton, Governor

T. Kevin Flannery, Secretary

Finance and Administration Cabinet

Dana Mayton, Secretary, Revenue Cabinet

Honorable Larry Elkins, Calloway County Judge/Executive

Honorable Ray Coursey, Jr., Calloway County Clerk

Members of the Calloway County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Calloway County, Kentucky, for the year ended December 31, 2001. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2001, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Paul E. Patton, Governor  
T. Kevin Flannery, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Larry Elkins, Calloway County Judge/Executive  
Honorable Ray Coursey, Jr., Calloway County Clerk  
Members of the Calloway County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated July 8, 2002, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The County Clerk Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$61,228 To Protect Deposits

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
July 8, 2002



CALLOWAY COUNTY  
 RAY COURSEY, JR., COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2001

Receipts

State Grants	\$	16,350
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State Fees For Services		17,496
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Fiscal Court		40,090
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	724,834
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Usage Tax		3,150,844
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Tangible Personal Property Tax		2,208,197
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Licenses-

Fish and Game		7,206
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Marriage		10,557
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Occupational		162
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Deed Transfer Tax		70,835
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Delinquent Tax		153,208
		6,325,843

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	22,662
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Real Estate Mortgages		62,026
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Chattel Mortgages and Financing Statements		10,006
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Powers of Attorney		1,767
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All Other Recordings		31,952
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Charges for Other Services-

Title Lien Statements		81,998
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Candidate Filing Fees		450
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Copywork		4,204
		215,065

Other:

Ad Valorem Late Fee	\$	6,347
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Postal Charges		1,887
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Miscellaneous		5,389
		13,623

Interest Earned		3,187
		3,187

Total Receipts	\$	6,631,654
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CALLOWAY COUNTY  
 RAY COURSEY, JR., COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Year Ended December 31, 2001  
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 554,959

Usage Tax 3,049,694

Tangible Personal Property Tax 687,842

Licenses, Taxes, and Fees-

Fish and Game 6,934

Delinquent Tax 23,927

Legal Process Tax 28,405

Candidate Filing Fees 270 \$ 4,352,031

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 202,990

Delinquent Tax 20,316

Deed Transfer Tax 67,468

Occupational Licenses 97 290,871

Payments to Other Districts:

Tangible Personal Property Tax \$ 1,224,326

Delinquent Tax 68,748 1,293,074

Payments to Sheriff

3,357

Payments to County Attorney

21,825

Operating Disbursements:

Personnel Services-

Deputies' Salaries \$ 279,714

Part-Time Salaries 51,283

Employee Benefits-

Employer's Share Social Security 28,963

Materials and Supplies-

Office Supplies 9,992

CALLOWAY COUNTY  
RAY COURSEY, JR., COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
For The Year Ended December 31, 2001  
(Continued)

Disbursements (Continued)

Operating Disbursements: (Continued)

Other Charges-		
Conventions and Travel	\$	5,088
Postage		45
Refunds		12,462
Miscellaneous		2,403
Bad Debt Expense		2,181
Contracted Services:		
Printing and Binding		16,350
		<u>\$ 408,481</u>
Total Disbursements		<u>\$ 6,369,639</u>
Net Receipts	\$	262,015
Less: Statutory Maximum		<u>70,064</u>
Excess Fees	\$	191,951
Less: Expense Allowance		<u>3,600</u>
Excess Fees Due County	\$	188,351
Payment to County Treasurer - April 4, 2002		<u>188,351</u>
Balance Due at Completion of Audit	\$	<u><u>0</u></u>

The accompanying notes are an integral part of the financial statement.

CALLOWAY COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2001

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2001.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent for the first six months and 6.41 percent for the last six months of the calendar year.

CALLOWAY COUNTY  
 NOTES TO FINANCIAL STATEMENT  
 December 31, 2001  
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County Clerk entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of April 9, 2001, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$61,228 of public funds uninsured and unsecured.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of April 9, 2001.

	<u>Bank Balance</u>
FDIC Insured	\$ 116,482
Collateralized with securities held by pledging depository institution in the county official's name	369,733
Uncollateralized and uninsured	<u>61,228</u>
Total	<u><u>\$ 547,443</u></u>

CALLOWAY COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2001  
(Continued)

Note 4. Grant

The County Clerk received a local records grant from the Kentucky Department for Libraries and Archives in the amount of \$16,350 in 2000. Funds totaling \$16,350 were expended during calendar year 2001. The unexpended grant balance is \$262 as of December 31, 2001, which consists of accumulated interest.

Note 5. Change Fund

The County Clerk has a change fund consisting of six cash drawers and one cash box. The cash drawers hold \$20 each and the cash box holds \$550. All change fund monies belong to the fiscal court.

COMMENT AND RECOMMENDATION





CALLOWAY COUNTY  
RAY COURSEY, JR., COUNTY CLERK  
COMMENT AND RECOMMENDATION

For The Year Ended December 31, 2001

The County Clerk Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral To Protect Deposits

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On April 9, 2001, \$61,228 of the County Clerk's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the County Clerk require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*County Clerk's Response:*

*The Clerk is disappointed and surprised that the financial institution did not honor its obligation under the contract signed by the Clerk and financial institution. Financial institution changed ownership and several employees, which may have led to its mistake. Clerk will remind financial institution of its contractual obligation.*

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
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Members of the Calloway County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Calloway County Clerk for the year ended December 31, 2001, and have issued our report thereon dated July 8, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Calloway County Clerk's financial statement for the year ended December 31, 2001, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and is described in the accompanying comment and recommendation.

- The County Clerk Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$61,229 To Protect Deposits



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Calloway County Clerk internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a horizontal line extending from the end of the signature.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
July 8, 2002

